

## Message Text

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ACTION EB-07

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E.O. 11652: N/A

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SUBJECT: BOLIVIAN FIVE YEAR PLAN 1976-1980

1. ON JUNE 7 PRESIDENT HUGO BANZER SIGNED DECREE 13630 APPROVING IMPLEMENTATION OF A FIVE YEAR PLAN 1976 TO 1980. INPUTS TO THE PLAN WERE RECEIVED FROM ALL MINISTRIES AND STATE CORPORATIONS BUT COORDINATION AND FINAL PREPARATION OF THE PLAN WAS DONE BY THE MINISTRY OF PLANNING AND COORDINATION UNDER GENERAL JUAN LECHIN SUAREZ. THE PLAN (3 VOLUMES OVER 1'227;PAGES) IS AMBITIOUS, CALLING FOR \$3.5 BILLION IN PUBLIC AND PRIVATE INVESTMENT OVER THE 1976-1980 PERIOD, AND A POLICY OF RAPID GROWTH WITH HIGH BUT SOMEWHAT LESS PRIORITY GIVEN TO REDISTRIBUTIVE POLICIES AND SOCIAL PROGRAMS.

2. WE HAVE ONLY A PRELIMINARY VERSION OF THE PLAN SUMMARY AND SOME SECTOR PLANS; THE FULL PLAN IS STILL BEING PRINTED. THE UNCLASSIFIED

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SUMMARY CONTAINS AN EXCELLENT AND CANDID ANALYSIS OF BOLIVIA'S

ECONOMY AND DEMILOPMENT PROBLEMS OVER THE PAST FIVE YEARS, FOLLOWED BY MACRO-ECONOMIC PROJECTIONS FOR THE 1976-1980 PERIOD, AND A SECTOR- BY-SECTOR SUMMARY, INCLUDING DIAGNOSIS, STRATEGY, AND LISTS OF ALMOST 300 PROPOSED INVESTMENT PROJECTS. THE PRIMARY NATIONAL OBJECTIVE STATED IS TO CREATE A SOVEREIGN NATION WITH A HUMANISTIC AND DEVELOPED SOCIETY WHERE THE GENERAL WELFARE IN QUANTITATIVE AND QUALITATIVE TERMS IS WITHIN THE REACH OF ALL. PART OF THE SHORT TERM STRATEGY TO ACHIEVE THIS IS AN OUTLET TO THE SEAM OTHER MAJOR OBJECTIVES ARE TO ACCELERATE GROWTH OF GDP, INCREASE AND DIVERSIFY EXPORTS, SELECTIVELY SUBSTITUTE FOR IMPORTS, BECOME SELF SUFFICIENT IN BASIC FOODS, INCORPORATE THE CAMPESINO INTO MODERN SOCIETY, INCREASE PRODUCTION EMPLOYMENT AND LABOR SKILLS, IMPROVE DISTRIBUTION OF INCOME, INTEGRATE THE NATIONAL TERRITORY, ACHIEVE DEVELOPMENT WITH REASONABLE PRICE STABILITY AND EQUILIBRIUM IN BALANCE OF PAYMENTS, AND ASSURE SOCIAL PEACE AND INTERNAL STABILITY. IN GENERAL, APART FROM AGRICULTURE AND INDUSTRY, WHICH ARE GIVEN PRIORITY BECAUSE OF EMPLOYMENT CREATION, THE MINING AND HYDROCARBON SECTORS ARE GIVEN PRIORITY BECAUSE THEY, AS WELL AS RATIONAL IMPORT SUBSTITUTION, EARN (OR SAVE) FOREIGN EXCHANGE THUS DECREASING DEPENDENCE ON FOREIGN FINANCING.

3. AVERAGE RATE OF GROWTH DURING PLAN IS PROJECTED AT 7.7 PCT TO RAISE GDP TO \$US 3.08 BILLION IN 1980 (IN QOUT DOLLARS). GROSS INVESTMENT IS TO GROW FROM 23 PCT OF GDP IN 1975 TO 28 PCT IN 1980 AND DOMESTIC SAVINGS FROM 17 TO 28 PCT IN THE SAME PERIOD

69PCT OF THE \$3.5 BILLION INVESTMENT PLANNED IS TO BE FINANCED FROM DOMESTIC SAVINGS. THE PER CAPITA INCOME GOAL BY 1980 IN 1975 DOLLARS IS \$476. THE EXTERNAL DEBT SERVICE RATIO IS PROJECTED TO INCREASE FROM 17.5 PCT IN 1976 TO OVER 20 PCT IN THE MID YNXDIF THE PLAN AND DECREASE TO 15.9 PCT IN 1980. STRUCTURE OF TOTAL INVESTMENT OF \$3.5 BILLION DOLLARS OVER PLAN PARIOD IS TO BE: GOODS - 58.8 PCT, INFRASTRUCTURE - 19.0 PCT AND SERVICES - 22.2 PCT. THIS WOULD CHANGE GDP STRUCTURE TO: GOODS - 45.7 PCT OF GDP, INFRASTRUCTURE - 10.9 PCT AND SERVICES - 43.6 PCT; AND INCREASE IN THE FORMER TWO AND DECREASE IN LATTER. SUBSECTORS WITHIN ABOVE SECTORS ARE PROJECTED TO CHANGE AS UNCLASSIFIED

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FOLNWS: INDUSTRY, MINING, HYDROCARBONS AND CONSTRUCTION TO INCREASE THEIR SHARE OF GDP AND AGRICULTURE TO DECREASE; ENERGY UNCHANGED, TRANSPORT AND COMMUNICATIONS TO INCREASE; ALL SERVICE SUBSECTORS INCLUDING GOVERNMENT TO DECREASE. EXPORTS ARE SCHEDULED TO GROW FASTER (13 PCT) THAN EXPORTS (7.5 PCT) ENDING THE PLAN PERIOD WITH \$216 MILLION IN RESERVES AND WITH EXPORTS IN 1980 EQUALOO \$847 MILLION AND IMPORTS \$751 MILLION (1975 DOLLARS). HOWEVER, IN 1976 AND 1977 SUBSTANTIAL TRADE DEFICITS

ARE PROJECTED (62 AND 67 MILLION DOLLARS) WHICH WILL BE FINANCED BY CAPITAL MOVEMENT.

4. COMMENT: THE GOB PUT TREMENDOUS EFFORT INTO FORMULATING THE FIVE YEAR PLAN AND NOW FACES THE EVEN HARDER TASK OF EXECUTING IT. FINANCING THE INVESTMENT PLAN WILL BE DIFFICULT, BUT OTHER PROBLEMS SUCH AS SHORTAGES OF EXECUTIVE AND SKILLED LABOR AND THE NEED FOR MODERNIZING NATIONAL ECONOMIC POLICIES ALSO WILL BE DIFFICULT AND POLITICALLY SENSITIVE. SOME OF THE GOALS SEEM UNREALISTIC, SUCH AS THE INTENTION (IN THE PRELIMINARY VERSION) TO RAISE DOMESTIC SAVINGS TO 28 PCT OF GDP IN 1980. THERE ALSO IS CONSIDERABLE POLITICAL CONTENT OF THE PLAN'S STATED OBJECTIVES. NEVERTHELESS, THE GOB SEEMS COMMITTED TO A MAJOR EFFORT TO IMPLEMENT THE PLAN, IN CONTRAST TO THE RAPID EXTINCTION OF MOST PREVIOUS BOLIVIAN DEVELOPMENT PLANS. THE EMBASSY INTENDS TO SEND SEPARATE REPORTING OF MAJOR PROJECTS AND IMPLICATIONS FOR BOLIVIA'S FUTURE MINERALS AND HYDROCARBON PRODUCTION. A REPORT ON AVIATION SECTOR WAS ALREADY SENT IN LA PAZ A-65 AND THE MINING SECTOR WILL BE REPORTED SOON IN EMBASSY'S ANNUAL CERP INDUSTRIAL OUTLOOK REPORT ON MINERALS. STEDMAN

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